

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

PERIODIC REPORTING
(PROPOSAL FIVE)

Docket No. RM2020-12

PETITION OF THE UNITED STATES POSTAL SERVICE FOR THE
INITIATION OF A PROCEEDING TO CONSIDER PROPOSED CHANGES
IN ANALYTICAL PRINCIPLES (PROPOSAL FIVE)
(August 5, 2020)

Pursuant to 39 C.F.R. § 3050.11, the Postal Service requests that the Commission initiate a rulemaking proceeding to consider a proposal to change analytical principles relating to the Postal Service's periodic reports. The proposal, relating to a change in RPW reporting methodology for measuring the national totals of non-contract mailpieces in international outbound product categories bearing PC Postage indicia from postage evidencing systems, is labeled Proposal Five and is discussed in detail in the attached text.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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Proposal Five

PROPOSED CHANGE IN RPW METHODOLOGY FOR USE OF PC POSTAGE NONCONTRACT DATA TO REPLACE SIRVO STATISTICAL SAMPLING ESTIMATES

OBJECTIVE:

The Postal Service requests a change in RPW reporting methodology for measuring the national totals of non-contract mailpieces in outbound international product categories bearing PC Postage indicia from postage evidencing systems. The outbound international products include Priority Mail International (PMI), and First-Class Package International Service (FCPIS). For these types of mail, the proposed methodology would replace the System for International Revenue and Volume, Outbound, and International Origin Destination Information System (hereinafter referred to as SIRVO) statistical sampling estimates with corresponding census transactional data. If this request were approved, it would add another important census source to the RPW reporting system.

BACKGROUND:

Prior Filings Regarding Replacement of Statistical Sampling Estimates

The Postal Service has submitted numerous requests for the replacement of statistical estimates with census data. Recent dockets include: Docket No. RM2014-4 (Proposal One) for Self Service Kiosk and PostalOne!-related products of Merchandise Return Service and Business Reply Mail; Docket No. RM2015-15 for Click-N-Ship census data; Docket No. RM2016-1 for tying estimation methodology to letter mail end of-run counts; Docket No. RM2016-7 for introduction of additional census data for international outbound product RPW reporting; Docket No. RM2017-5 for PC Postage

PROPOSAL FIVE

extra services census data; Docket No. RM2017-7 for Retail Systems Software PROPOSAL ONE Business Partners census data; Docket No. RM2019-11 for Priority Mail Express International census data; and Docket No. RM2020-6 (Proposal One) for PC Postage domestic parcel census data. All of these filings have been approved by the Postal Regulatory Commission. See Order No. 2101 (June 25, 2014); Order No. 2732 (September 28, 2015); Order No. 2901 (December 18, 2015); Order No. 3377 (June 17, 2016); Order No. 4039 (August 15, 2017); Order No. 4066 (August 24, 2017); Order No. 5280 (October 22, 2019); and Order No. 5515 (May 19, 2020).

PC Postage

Postage meters and PC Postage products are collectively identified as “postage evidencing systems.” A postage evidencing system is a device or system of components a customer uses to print evidence that postage has been paid as required. Postage evidencing systems print information-based indicia (IBI) to indicate postage payment. Mailers print indicia directly on a mailpiece or on a label that is affixed to a mailpiece. PC Postage is third-party vendor software approved by the Postal Service that mailers can use to pay for and print postage using a computer, printer, and internet connection. There are several PC Postage vendors. PC Postage payment transactions are recorded in the National Meter Account Tracking System (NMATS).

RPW Reporting of PC Postage

The current RPW methodology for international outbound mail activity relies on several census sources in combination with statistical estimates from the SIRVO probability sampling system. The major census sources include PostalOne!, Retail Systems Software or RSS, Click-N-Ship or CNS, and PC Postage vendor data for

PROPOSAL FIVE

Negotiated Service Agreements (NSAs). SIRVO is a probability-based international outbound mail sampling system used to support the Postal Service's many and varied business needs for mail revenue and volume. SIRVO primarily supplies official RPW estimates of revenue, volume, and weight for single-piece stamped and metered international outbound mail.

One of the SIRVO mail characteristics recorded by Statistical Programs data collectors is the indicia, or source payment. Indicia types include, but are not limited to, stamps, permit imprint, and IBI. PC Postage is a type of IBI with a two-dimensional barcode that mailers apply to their mailpieces. SIRVO data collectors record a PC Postage mailpiece as IBI and indicate the specific PC Postage manufacturer. Other mail characteristics recorded by Statistical Programs data collectors include, but are not limited to, revenue, mail class, product, mail markings, extra services, and destination country.

Limitations with the Current Methodology

Data collection is always challenging in the fast-moving timeframe around mail arrival to U.S. International Service Centers and distribution to outbound international flights, which is when SIRVO tests are conducted. Unintended errors could occur in the sampling of mail, and in the recording of the data elements observed.

In addition, SIRVO is a statistical sampling system that produces point estimates with sampling error. Census information is not subject to sampling error. Using transactional data, there would be no sampling error, and one would expect to have equal or improved data quality.

PROPOSAL FIVE

PROPOSAL:

The proposed RPW methodology would switch reporting of PC Postage international outbound non-NSA parcel mail categories from sample data provided by the SIRVO sampling system to corresponding census data provided by reports from the Accounting Data Mart or ADM.¹ The PC Postage data include Priority Mail International parcels and First-Class Package International Service.

RATIONALE:

The proposed change in methodology provides a complete census source of transactional-level data for PC Postage international outbound mailpieces. These data are used to form the revenue and volume characteristics needed for RPW reporting. As new data for PC Postage mailers come on line in the future, it is anticipated that those census data would be incorporated into RPW reporting as well.

IMPACT:

As a measure of the impact of switching from SIRVO statistical sampling estimates to PC Postage census data, we produced the international outbound portion of FY20 Q2 YTD RPW report using the census data and compared it to the original FY20 Q2 YTD report. Attachment A at the end of this document shows the proposed methodology compared to the current methodology. In addition to these columns, the

¹ The Accounting Data Mart is a reporting system relied upon by RPW. See, for example, Docket No. RM2015-15 for a discussion of its use in terms of Click-N-Ship reporting.

PROPOSAL FIVE

report shows the amount of the change and the percentage change to the current method.²

Examining the potential FY2020 changes in international outbound mail category observed in the above-described exercise, two major categories would be *directly* affected by the use of non-contract PC Postage census data in place of corresponding SIRVO sample data: Outbound Priority Mail International and First-Class Package International Service. As shown in Attachment A, Outbound Priority Mail International revenue would increase 2.3 percent and volume would decrease 5.8 percent. For First-Class Package International Service (which appears as a component of the Other Outbound International Mail row – row 32 in the Excel version -- of public Attachment A), the nonpublic details show that the revenue and volume changes would be of the same general percentage magnitude as Outbound Priority Mail International, but in each instance in the opposite direction.

Other *indirect* effects of the proposal would then occur when other estimates are scaled to the remaining known dispatch weights that have been not accounted for with census data sources. The major international outbound category that would manifest such an indirect effect of the shift in the proportion of census data relative to sample data would be Outbound First-Class Mail International (4.8 percent decrease in revenue and 5.7 percent decrease in volume, as shown in Attachment A). Other indirect effects

² The printed public version of Attachment A is directly attached to this Proposal (with the Excel spreadsheet attached electronically). The Postal Service is also separately filing under seal (as USPS-RM2020-12-NP1) a restricted version of Attachment A that disaggregates data pertaining to competitive products following the adopted format used in the public report. The nonpublic version filed under seal thus provides additional data for the confidential categories.

PROPOSAL FIVE

would occur with respect to several smaller categories: U.S Postal Service Mail, Free Mail, and International Ancillary Services.³ Overall, outbound international revenue and volume for Quarters 1 and 2 of FY 2020 would have been reduced by 0.3 percent and 2.7 percent, respectively.⁴

In summary, the proposed approach will result in the improved reporting of PC Postage non-contract revenue and volume both in terms of the level and measures of precision. The new system will also allow for more granularity in the underlying report data.

³ Unrelated to the changes that would be associated with the instant proposal, updates to PostalOne! and Global Express Guaranteed (GXG) census data have caused small immaterial changes that can be observed in the detailed material filed under seal. These occur in Outbound International Priority Airmail (IPA), Outbound International Surface Airlift (ISAL), Outbound International Expedited Services (PMEI), and portions of Outbound International Negotiated Services Agreement Mail. These updates will occur in end-of-year data regardless of action on this proposal.

⁴ Because of the constrained nature of the comparison exercise conducted (i.e., limited to examination of the international outbound portion of the RPW), other indirect effects will ultimately be spread over other types of mail not included in this exercise. Their cumulative effects appear in the Total rows at the bottom of Attachment A (Excel rows 43 –47), and would be essentially immaterial once spread over the many other types of mail and services in order to allow total revenue to once again tie out to book revenue.

Attachment A – Public

Comparison of Proposed and Current Methodologies
Revenue, Pieces, and Weight by Classes of International Outbound Mail and Special Services for FY20 Q1-Q2
(Data in Thousands)

PAGE 1

| Service Category | REVENUE | | | | PIECES | | | | WEIGHT (Pounds) | | | |
|---|----------|---------|------------------------------|---------|----------|---------|------------------------------|---------|-----------------|---------|------------------------------|---------|
| | FY20 | | Change | | FY20 | | Change | | FY20 | | Change | |
| | Proposed | Current | Proposed over Current Amount | Percent | Proposed | Current | Proposed over Current Amount | Percent | Proposed | Current | Proposed over Current Amount | Percent |
| First-Class Mail: | | | | | | | | | | | | |
| Outbound First-Class Mail International | 87,803 | 92,275 | (4,472) | (4.8) | 59,891 | 63,509 | (3,619) | (5.7) | 3,081 | 3,121 | (40) | (1.3) |
| U.S. Postal Service Mail | 0 | 0 | 0 | 0.0 | 59 | 60 | (1) | (1.8) | 41 | 41 | (1) | (1.8) |
| Free Mail | 0 | 0 | 0 | 0.0 | 66 | 50 | 16 | 32.8 | 230 | 168 | 62 | 36.7 |
| Total Market Dominant Mail | 87,803 | 92,275 | (4,472) | (4.8) | 60,015 | 63,619 | (3,604) | (5.7) | 3,352 | 3,330 | 21 | 0.6 |
| Ancillary Services: | | | | | | | | | | | | |
| International Ancillary Services | 5,101 | 5,104 | (4) | (0.1) | 446 | 454 | (9) | (1.9) | | | | |
| Total Market Dominant Revenue | 92,904 | 97,380 | (4,476) | (4.6) | | | | | | | | |
| International Mail: | | | | | | | | | | | | |
| Outbound Priority Mail International | 199,754 | 195,265 | 4,489 | 2.3 | 2,939 | 3,119 | (180) | (5.8) | 19,199 | 19,401 | (202) | (1.0) |
| Outbound International Expedited Services | 44,708 | 44,987 | (279) | (0.6) | 522 | 526 | (4) | (0.8) | 2,496 | 2,524 | (28) | (1.1) |
| Other Outbound International Mail | 354,988 | 356,840 | (1,852) | (0.5) | 74,112 | 74,106 | 7 | 0.0 | 41,076 | 41,046 | 31 | 0.1 |
| Total International Mail | 599,450 | 597,092 | 2,358 | 0.4 | 77,574 | 77,751 | (177) | (0.2) | 62,771 | 62,971 | (200) | (0.3) |
| Total Competitive Mail | 599,450 | 597,092 | 2,358 | 0.4 | 77,574 | 77,751 | (177) | (0.2) | 62,771 | 62,971 | (200) | (0.3) |
| Ancillary Services: | | | | | | | | | | | | |
| International Ancillary Services - | 820 | 817 | 4 | 0.4 | 51 | 51 | 0 | 0.4 | | | | |
| Total Competitive Revenue | 600,271 | 597,909 | 2,362 | 0.4 | | | | | | | | |
| Total Market Dominant and Competitive | | | | | | | | | | | | |
| Total All Mail | 687,253 | 689,367 | (2,114) | (0.3) | 137,589 | 141,370 | (3,781) | (2.7) | 66,123 | 66,301 | (178) | (0.3) |
| Total All Services | 5,921 | 5,921 | 0 | 0.0 | 497 | 505 | (9) | (1.7) | | | | |
| Total All Mail and Services | 693,174 | 695,288 | (2,114) | (0.3) | | | | | | | | |
| Total All Other Revenue | 0 | 0 | 0 | 0.0 | | | | | | | | |
| Total All Revenue | 693,174 | 695,288 | (2,114) | (0.3) | | | | | | | | |